

How would you like to get a huge discount on all your out-of-pocket health-related spending, including office visit co-payments, prescription drugs, eyeglasses, medicines purchased over-the-counter, hearing aids, birth control pills, braces or smoking-cessation products?

You can take advantage of this discount -- in the form of tax-free spending -- if you participate in the health flexible spending account through the NDPERS FlexComp Plan. Using an FSA could save you hundreds of dollars a year. For example, if you paid \$1,000 in eligible medical expenses out of your take home pay, you could see a net tax savings of \$246 by enrolling in the FlexComp Plan. (The amount may vary depending on your individual circumstances.) A Flexible Spending Account (FSA) works like this: You designate a yearly amount to contribute to the FSA. A prorated amount is deducted before taxes from your paychecks throughout the plan year based on your agency payroll cycle. Whenever you pay for an approved medical service or item you draw down on those pretax contributions, essentially getting big discounts on what you buy.

Will I lose my money if I don't spend it all?

The plan year has a grace period provision which reduces the possibility of forfeiting any unused balance in your account. Employees have the opportunity to be reimbursed for medical expenses incurred between January 1 and March 15 (grace period) with unused contributions from the previous plan year. For example, if you have a balance in your medical spending account after December 31, 2008, you will have the option to have eligible expenses incurred during the "grace period" from January 1 through March 15, 2009 reimbursed from that remaining balance. This is a great advantage to avoid forfeiting unused funds.

How long do I have to submit my claims?

The deadline to file medical and dependent care claims is four months after the plan year ends on December 31, or April 30. Any amount remaining in the account after April 30 is forfeited.

How much should I contribute?

If you keep a household budget or use spending-tracking software, you should be able to determine how much you spend annually on eligible items. Otherwise, try out an FSA with a modest amount. For example, most families will easily spend \$500 on medical-related items in a year, especially with the addition of over-the-counter medicines and the new grace period provision which reduces the risk of forfeiting unused funds.

You may redirect a portion of your salary for eligible medical expenses up to a maximum of \$6,000. Requests for reimbursement from a Medical Spending

Account will be paid throughout the plan year according to your total annual medical spending election amount.

What do I need to do to be reimbursed from my account?

Filing for reimbursement from your account is easy. To be reimbursed for an eligible medical item or service all you need to do is file a claim and include the supporting documentation. The FlexComp Reimbursement Voucher SFN 16868 is available on our web site and if completed on-line, will automatically sum your expenses as they are entered. All that is required for supporting documentation for services covered by insurance, is a copy of the Explanation of Benefits (EOB) provided by your insurance carrier. If you do not have insurance coverage, just a statement from the provider is required. The statement must include the provider's name, patient name, a fully itemized list of services received, and the date of services. To be reimbursed for prescriptions, all that is required is a copy of the drug receipt. For over-the-counter drugs a detailed cash register receipt is acceptable documentation.

A Dependent Care Flexible Spending Account (DCFSA) can be used to pay for eligible dependent care expenses with pre-tax dollars.

What types of day care expenses are allowed under the DCFSA?

Day care expenses must:

- Be for the purpose of enabling you or you and your spouse to be employed.
- Be for a child under 13 years of age who is your dependent under Federal tax rules. The child must reside with the employee at least one-half of the taxable year.
- The dependent care account can also be used for the care of a spouse or a dependent over the age of 13 who is incapable of self-care. The adult dependent who is incapable of self care must live with the employee for more than one-half the taxable year and not have more than \$3,200 per year in gross income.
- Be provided by someone other than your spouse or another dependent child.

Eligible Expenses may also include:

- Before or after school care.
- Registration fees if fee must be paid in order to obtain care.
- Day Camp
- Preschool/nursery school
- Transportation expenses, if expenses are for transporting a child to or from place where care is provided and transportation is furnished by day care provider.
- Late "pick-up" fee

How much money can I set aside in a DCFSA?

Under Internal Revenue Service regulations, you may redirect a portion of your salary up to a maximum limit of \$5,000 for a single parent, \$5,000 for a married couple filing a joint tax return or \$2,500 for a married person filing a separate tax return. Requests for reimbursement from a DCFSA will be paid according to the dollars available in your account to date.

How do I receive reimbursement from my dependent care account?

To be reimbursed for eligible dependent care services all you need to do is file a claim and include the supporting documentation. Your provider must complete Section D of the FlexComp Reimbursement Voucher SFN 16868 or provide a receipt with the following information:

- Name of provider/if provider is a relative, list relationship
- Tax Identification Number or Social Security Number
- Actual dates on which care was provided (not billing date)
- Amount of dependent care expense

Services that require pre-payment cannot be reimbursed until after the services have been rendered.

If there is money remaining in my medical FSA, can it be used to pay for dependent care expenses?

No. Any unused amounts in a medical FSA cannot be used for dependent care expenses and vice versa.